

# CITY OF SAN ANTONIO ECONOMIC INCENTIVES



## SAN ANTONIO EMPOWERMENT ZONE

### Program Description:

San Antonio was one of eight cities throughout the country designated a Round III Empowerment Zone (EZ) by the U.S. Department of Housing and Urban Development. This designation allows businesses to receive wage credits, deductions, capital gains incentives, and bond financing to help stimulate investment and job creation in targeted areas of the City through December 2009. In addition, the EZ designation provides the City priority in funding health, education, and human services through the federal government.

### Program Eligibility Criteria:

To be eligible for the EZ program incentives (with the exception of the Welfare to Work and Work Opportunity Tax Credit and Brownfields clean up cost deduction) a business must locate in the Empowerment Zone. (See map – If you require assistance determining eligibility, please call 207-8080).

### Wage Credits:

- ❑ **Employment Zone Wage Credit:** A federal tax credit of up to \$3,000 (20% of the first \$15,000 in employee wages) per employee. The credit is available to businesses located in the Zone that hire residents of the Zone. The credit applies to new hires and existing employees and can be received for each of the years that the Zone is in existence.
- ❑ **Work Opportunity Tax Credit:** A federal tax credit of up to \$2,400 (40% of the first \$6,000 in employee wages) per qualified employee. Employees that qualify include Qualified: recipients of public assistance, veterans, ex-felons, food stamp recipients, supplemental security income recipients, EZ youths ages 16-24, and vocational rehabilitation agency referrals. This credit is limited to the first year of employment. For firms located within the Zone, this credit may be taken in addition to EZ wage credit, but not in conjunction with the Welfare to Work Tax Credit.
- ❑ **Welfare-To-Work Tax Credit:** A two-year federal tax credit of up to \$8,500 (35% of the first \$10,000 paid in the first year and 50% of the first \$10,000 paid the second year) for employers who hire residents that have received Temporary Aid for Needy Families (TANF) for 18 consecutive months.

### Deductions

- ❑ **Increased Section 179 Expensing:** Allows businesses to claim increased Section 179 deduction up to \$35,000 for property acquired after December 31, 2001. Can be claimed on certain depreciable property, such as equipment and machinery (IRS Tax Form 4562).
- ❑ **Environmental Cleanup Cost Deduction:** Businesses can elect to deduct qualified cleanup costs of hazardous substances in certain areas in the tax year the business pays or incurs the costs.

## **SAN ANTONIO EMPOWERMENT ZONE (Continued)**

### **Capital Gains Incentives**

- ❑ **Non-recognition of Gain on Sale of Empowerment Zone Assets (EZAs)** : For capital gain on EZAs (stock, partnership interests, and business property) of an Empowerment Zone Business held for more than 1 year is not recognized if replacement EZA is acquired within 60 days.
- ❑ **Partial Exclusion of Gain from Sale of Empowerment Zone Stock**: Excludes 60 percent of the gain on sale of small business stock of a C-Corporation that is an "Empowerment Zone Business" located in an EZ if the stock is held for at least 5 years.

### **Bond Financing**

- ❑ **Empowerment Zone Facility Bonds**: Low interest loan to qualified Empowerment Zone businesses with large capital needs (\$2 million or greater) and a letter-of-credit from a bank. Requires hiring 35% of business workforce from the Empowerment Zone.

#### Program Benefits:

- ❑ Federal tax credit retroactive up to two years with any unused credit eligible to be carried forward for 10 years for any for-profit entity hiring out of targeted populations such as EZ residents.
- ❑ Increased depreciation deduction the first year an asset is put into service.
- ❑ Improved cash flow through lower interest rate and longer term on non-residential development projects \$8 million or greater, located in, and hiring 35% of its workforce from, the EZ.
- ❑ Non-recognition on part or all capital gains associated with an "Empowerment Zone Business" as defined by IRS publication 954.

#### How to Apply:

For additional information on how to apply for EZ benefits, please call the City's Economic Development Department at (210) 207-8080.

